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MEMORANDUM

TO: Interested Parties

FROM: Erin Fosdick, Senior Planner

DATE: May 3, 2011

RE: Building Permit Estimates (#2941-3b)

Background

The Department of Economic Development annually provides estimates of building permits for five years in the future. These estimates are used as one basis for projecting revenues for the *2012 Operating Budget* and *2012-2016 Capital Improvement Program* (CIP). A projection for 2011 is also provided. Various staff in the Department of Economic Development, the Public Works and Natural Resources Department, and the Finance and Support Services Department have reviewed these projections; their comments are reflected in this memo.

Economic Trends

According to the national Bureau of Economic Research, the recession that hit the United States in 2007 officially ended in June of 2009. This recession was widespread, impacting all sectors of the economy, and although officially over in 2009, impacts of the recession were felt well into 2010. Figures through March of 2011 place the national seasonally adjusted unemployment rate at 8.8%, down from 9.7% in 2010. Previous to the recession, the unemployment rate had been steadily declining, from a high of 6.0% in 2003, to 5.5% in 2004, to 5.1% in 2005, and to 4.6% in 2006 and 2007. This trend reversed in 2008 when the unemployment rate began climbing, however, the rate appears to be declining again with the beginning of an economic recovery.¹

According to the Office of State Planning and Budgeting, Colorado's labor markets may not be suffering as much as national markets, but there appears to be a lag in recovery. Colorado's seasonally adjusted unemployment rate in December 2010 (8.9%) was higher than it was in December 2009 (7.3%), but still lower than the national rate of 9.7% in December of 2010.

¹ U.S. Bureau of Labor Statistics, <http://www.bls.gov/>

The first quarter of 2011 is continuing to show an increase for Colorado with unemployment rates of 9.1% in January, 9.3% in February and 9.2% in March (preliminary figure); these are slightly higher than the unemployment rate for the U.S, which was 8.8% through March of 2011.²

Locally, the unemployment rate for the Boulder-Longmont area was 6.9% in March of 2011 (preliminary figure), compared to a statewide rate of 9.2% (preliminary figure).³ The *Longmont Area Economic Council* (LAEC) reported a net gain of 336 primary jobs in 2010. This information is based on a survey of primary employers in their service area, which extends beyond the City of Longmont. Data compiled by the LAEC, show that there has been a net gain of 86 primary jobs for the first quarter of 2011.⁴

Mortgage interest rates have remained relatively stable and have actually decreased again over the past few months. Rates are still relatively low when compared with historical data.⁵ Rates of foreclosure filings are still extremely high. There has been a 215% increase in statewide foreclosure filings since 2003; however foreclosure filings decreased nearly 8% between 2009 and 2010. Foreclosure filings in 2010 were also lower in Boulder County when compared to filings in 2009.⁶

Anecdotal information still suggests there are not a high number of projects that will actually pull permits this year. Planners do not think there is a high likelihood of projects pulling permits when surveyed about their projects. Reasons included market conditions and difficulty securing financing, among other things.

Residential Construction

The decline in new residential construction may be leveling off. The U.S. Census Bureau reported that estimates for residential building permits in March 2011 were 11.2% above the revised February estimates, but 13.3% below the March 2010 estimates⁷. Locally, residential building permits issued through March of 2011 are nearly unchanged from the number of permits issued through March of 2010 (14 in 2011 v. 15 in 2010). The number of permits issued in 2010 was nearly twice the number issued in 2009 (111 in 2010 v. 63 in 2009).

As mentioned previously, interest rates have been relatively stable and are relatively low. The national average rate on a 30-year fixed-rate mortgage was 5.17% in March 2011, compared with 5.33% in March 2010.⁸ Although low interest rates and tax credits have helped some home buyers, the number of new homes permitted within the City dropped from a high of

² U.S. Bureau of Labor Statistics, <http://www.bls.gov/>

³ Source: U.S. Bureau of Labor Statistics, <http://data.bls.gov/>

⁴ Source: Longmont Area Economic Council, <http://www.longmont.org/>

⁵ Source: HSH Associates, Financial Publishers, <http://www.hsh.com/mtghst.html>

⁶ Source: Colorado Department of Local Affairs, Division of Housing, <http://www.dola.state.co.us/cdh/index.html>

⁷ Source: U.S. Census Bureau, <http://www.census.gov/const/www/permitsindex.html>

⁸ Source: HSH Associates, Financial Publishers, <http://www.hsh.com/>

1,641 in 2001 to a low of 63 in 2009. The high percentage of foreclosures has also contributed to an abundant supply of homes already on the market.

Single Family Estimate

The City has issued permits for 5 single family homes through March 2011 compared with 8 permits issued through March 2010. There is a supply of approximately 997 single family units in various stages of review that could request permits in 2011. A list of these projects can be found in Appendix 1. Given the number of permits issued through March 2011 and the anticipated permit activity for the rest of the year, approximately 20 more units could be permitted this year. Therefore, an estimate of the total number of single family permits to be issued this year is 25.

Multi-Family Estimate

For this report, the term multi-family includes duplex, triplex, townhouse, condominiums, apartments, and accessory and mixed use dwelling units. Through March 2011, 9 multi-family units have had permits. This compares with 7 multi-family units permitted through March 2010. There are a number of developments (see Appendix 2) in various stages of review that have multi-family units planned. Within these developments, there is a supply of 1,233 multi-family units. Given the number of permits issued through March 2011 and the anticipated permit activity for the rest of the year, approximately 30 additional multi-family units could be permitted this year. Therefore, an estimate of the total number of multi-family permits to be issued this year is 39.

Residential Compilation

Given the current market conditions, the number of permits issued through March of 2011, and the anticipated permit activity for the rest of the year, a reasonable estimate of the number of dwelling units to be issued permits in 2011 is 64 (25 estimated single family, 39 estimated multi-family). If 64 units are permitted this year, it will result in a growth rate of approximately 0.2%.

The slow economic recovery and the trend of high foreclosures will continue to weaken the local housing market and influence rates of new construction. Therefore, the growth rate for 2011 and beyond is anticipated to remain relatively low; for these estimates a rate of 0.25% has been used for 2012. Using the ratio of single family to multi-family from this year's estimate (39% single family, 61% multi-family), in 2012, approximately 53 units are estimated to be multi-family and 34 are estimated to be single family for a total of 87 residential permits. Slightly higher growth rates are forecasted for the years 2013-2016. Historically, the growth rate has averaged 2.7% over the last 20 years, 1.8% over the last 10 years, 0.5% over the last 5 years, and 0.3% over the last 3 years. The growth rate in 2010 was 0.3%. The lower growth rates used for 2011 – 2012, acknowledges that the state of the economy will continue to impact new residential construction for the next couple of years. An estimated growth rate of 0.35% is used for 2013; a rate of 0.4% is used for 2014 – 2016. This

slightly higher rate reflects the expected eventual stability of the economy, while recognizing, that as the City moves toward buildout, growth rates will likely remain lower.

**Residential Building Permit Estimates
(Dwelling Units)
2011 – 2016**

Year	Annual Estimates	Total Dwelling Units	Percentage Increase in Total Dwelling Units
2011	64	34,835	0.18%
2012	87	34,922	0.25%
2013	122	35,044	0.35%
2014	140	35,184	0.40%
2015	141	35,325	0.40%
2016	141	35,467	0.40%

Actual vs. Estimated Residential Building Permits (Dwelling Units) Since 1990

Year	Actual	Estimated Permits
1990	75	55
1991	157	112
1992	418	267
1993	491	418
1994	513	427
1995	868	660
1996	616	820
1997	1,358	950
1998	1,588	1,550
1999	1,242	1,184
2000	1,507	1,297
2001	1,641	1,800
2002	983	850
2003	866	650
2004	843	775
2005	502	603
2006	282	313
2007	230	129
2008	158	145
2009	63	72
2010	111	69

Nonresidential Construction

Last year the City issued building permits for 239,798 square feet of nonresidential development. This included approximately 215,000 square feet for the Wal-Mart Supercenter. Through March of 2011, the City has issued permits for 77,486 square feet of nonresidential development (as compared with 0 square feet through March of 2010). A review of plans in various stages of review indicates that approximately 217,000 additional square feet of nonresidential development could be permitted this year. The projects that could request permits this year are listed in Appendix 3. So, a realistic estimate of the square footage that will likely be permitted in 2011 is approximately 135,000 square feet.

Estimates beyond 2011 are more difficult to project. Historical information shows that nonresidential construction varies markedly from year to year. One or two large non-residential projects can greatly affect the yearly square feet total. The Twin Peaks Mall redevelopment will result in additional non-residential square footage. Since this schedule is still relatively flexible, it is assumed that permits for this non-residential square footage will be issued beyond 2011. After considering the local vacancy rate, the status of the national economy and projects currently being reviewed, the amount of nonresidential construction

estimated for 2012 and 2013 is 50,000 square feet; the estimated square feet for 2014 through 2016 is 75,000 square feet. This reflects the expectation that the number of non-residential permits and associated square footage will likely increase slowly as the economy continues to stabilize and recover.

Nonresidential Building Permit Estimates (Square Feet) 2011-2016

Year	Estimated Square Feet
2011	135,000
2012	50,000
2013	50,000
2014	75,000
2015	75,000
2016	75,000

Actual vs. Estimated Nonresidential Building Permits (Square Feet) Since 1990

Year	Actual	Estimated Square Feet
1990	128,294	241,700
1991	217,879	253,267
1992	242,013	385,377
1993	513,126	300,000
1994	797,343	250,000
1995	441,028	no estimates developed
1996	699,266	750,000
1997	1,084,123	750,000
1998	908,170	875,000
1999	435,711	750,000
2000	1,613,702	1,600,000
2001	618,718	700,000
2002	188,816	218,000
2003	319,451	318,000
2004	236,121	490,000
2005	832,673	700,000
2006	620,642	625,000
2007	283,607	765,000
2008	228,201	161,000
2009	27,872	23,000
2010	239,798	216,000

xc: Gordon Pedrow, City Manager
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David Starnes, Redevelopment Program Manager
Doug Bene, Economic Development Manager
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Appendix 1

List of Single Family Projects that Could Request Permits in 2011

<i>Subdivision</i>	<i>Number of Units</i>
Prairie Village 1st Filing	1
Prairie Village 2nd Filing	3
Prairie Village 3rd Filing	30
Mill Village 3rd Filing	6
Mill Village 3rd Filing Replat C	2
Mill Village 3rd Filing Replat D	5
Fox Meadows 3rd Filing	10
Fox Meadows 4th Filing	22
Eastgate 1st Filing	49
Provenance	227
Somerset Meadows 1st Filing	13
Somerset Meadows 2nd Filing	14
Renaissance 4th Filing FP	121
Grandview Heights Phase II FP	1
Willow Creek Estates FP	3
Rainbow Ridge 1st Filing Replat F	1
Creekside 6th Filing FP	1
Village at Creekside FP	7
Wallace Addition, 3rd Filing FP	1
Wallace Addition, 4th Filing FP	46
Rainbow Ridge Estates FP	4
Quail Ridge Replat C	32
Quail Ridge Replat D	8
Blue Vista FP	34
Harvest Junction FP	211
Champion Greens	1
Hover Crossing 2 nd Filing	53
Sienna Park FP	45
Yeager Farm 1st Filing	46
Total	997

Appendix 2

List of Multi-Family* Projects that Could Request Permits in 2011

<i>Subdivision</i>	<i>Number of Units</i>
Prairie Village FP	6
Prairie Village 2nd Filing FP	120
Spring Valley Phase 8 Parcel P FP	44
Spring Valley Phase 10 Parcel R (Sonoma Village) FP	18
Mill Village 3rd Filing FP	3
Mill Village 3rd Filing Replat C	22
Mill Village 3rd Filing Replat D	3
Fox Meadows 4th Filing FP	80
The Oaks at Longmont FP	60
Renaissance 3rd Filing Block 10 Replat A FP	68
Grandview Meadows Filing 3 FP	96
Grandview Heights Phase II FP	4
Wallace Addition 3rd Filing FP	20
Wallace Addition 4th Filing FP	211
Quail Ridge Subdivision Replat C	116
Blue Vista FP	97
Hover Place Condominiums	32
Sienna Park FP	110
Harvest Junction FP	122
Total	1,233

*Multifamily includes all residential units that are not single family detached.

Appendix 3

List of Non-Residential Projects that Could Request Permits in 2011

<i>Project Name</i>	<i>Square Footage</i>
<u>Harvest Junction Commercial North</u>	
Block 1, Lot 5	7,500
Block 1, Lot 8	2,500
Sandstone Marketplace Retail Shops FP	150,000
St Francis of Assisi Catholic Church	24,090
Alta Vita Memory Care Center	32.861
Total	216,951